Supreme Court, U. S.
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No. 80-4

IN THE

Supreme Court of the United States

OCTOBER TERM, 1979

MITSUBISHI INTERNATIONAL CORPORATION, INC.
Petitioner,

v.

U.S. DISTRICT COURT FOR THE DISTRICT OF OREGON
Respondent,

and

BRS, INC.,
REAL PARTY.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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July, 1980

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QUESTIONS PRESENTED

(1) Whether the district court and the Court of Appeals are imposing upon an attorney an inherent conflict of interest, in derogation of the duty to supervise the ethical conduct of members of the bar and to the prejudice of petitioner by, on the one hand, requiring petitioner to disclose its proprietary and commercially-sensitive information to that attorney when he represents a corporation that is in direct competition with petitioner, the representation being both as trial counsel for the corporation and as an officer and director of that corporation, and on the other hand, pursuant to a protective order designed to safeguard petitioner's competitively-sensitive information, requiring that attorney not to disclose such information to his corporate "client".

(2) Whether, under Rule 26(c) of the Federal Rules of Civil Procedure, a party involved in pending litigation against a competitor should, notwithstanding the contrary provisions of a protective order, be given access to such competitor's trade secrets simply because one of the principals in the party's management also acts as an attorney in such litigation.

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(2) Whether, under Rule 26(c) of the Federal Rules of Civil Procedure, a party involved in pending litigation against a competitor should notwithstanding the contrary provisions of protective order, be given access to such competitor's trade secrets simply because one of the principals in the party's management also acts as an attorney in such litigation.

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U.S. DISTRICT COURT FOR THE DISTRICT OF OREGON
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BRS, INC.,
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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

The petitioner Mitsubishi International Corporation respectfully prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Ninth Circuit entered in this action on April 29, 1980.

OPINIONS BELOW

On July 31, 1979, the United States District Court for the District of Oregon (the Honorable Robert J. Burns, District Judge) entered an order requiring petitioner to reveal its proprietary secrets to Douglas G. Houser, an officer and director of petitioner's direct business competitor, BRS, Inc. A copy of the order is attached hereto as Appendix Exhibit A.

Judicial review of this order and the underlying order issued on July 3, 1979 by the Honorable Robert C. Belloni, a copy of which order is attached hereto as Appendix Exhibit B, was sought by way of a petition for writ of mandamus and/or prohibition to the United States Court of Appeals for the Ninth Circuit. The Ninth Circuit panel initially denied the petition (Appendix Exhibit C), then vacated the denial upon petitioner's request for reconsideration (Appendix Exhibit D). Ultimately, the petition was denied (Appendix Exhibit E).

JURISDICTION

The order of the Ninth Circuit Court of Appeals denying the petition for writ of mandamus was made and entered on April 29, 1980. The jurisdiction of this Court is invoked under 28 USC § 1254(1).

STATUTES INVOLVED

Rule 26(c), Federal Rules of Civil Procedure, regarding protective orders applicable to discovery proceedings, provides in pertinent part:

> PROTECTIVE ORDERS. Upon motion by a party or by the person from whom discovery is sought, and for good cause shown, the court in which the action is pending or alternatively, on matters relating to a deposition, the court in the district where the deposition is to be taken may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including one or more of the following; (1) that the discovery not be had; (2) that the discovery may be had only on specified terms and condi-

tions, including a designation of the time or place; (3) that the discovery may be had only by a method of discovery other than that selected by the party seeking discovery; (4) that certain matters not be inquired into, or that the scope of the discovery be limited to certain matters; (5) that the discovery be conducted with no one present except persons designated by the court; (6) that a deposition after being sealed be opened only by order of the court; (7) that a trade secret or other confidential research, development, or commercial information not be disclosed or be disclosed only in a designated way; (8) that the parties simultaneously file specified documents or information enclosed in sealed envelopes to be opened as directed by the court. If the motion for a protective order is denied in whole or in part, the court may, on such terms and conditions as are just, order that any party or person provide or permit discovery.

STATEMENT OF THE CASE

Petitioner is one of two defendants in a suit for trademark infringement and unfair competition (BRS, Inc. v. Mitsubishi International Corporation and CITC Industries, Inc., United States District Court for the District of Oregon, Civil No. 78-537) brought by BRS, Inc. (hereafter "BRS"). In that action BRS asserts that petitioner and its codefendant have infringed one of its trademarks used on athletic shoes. Federal jurisdiction of the trademark infringement claim was invoked pursuant to 15 USC § 1121 and 28 USC § 1338(a). Douglas G. Houser, a member of the firm of Bullivant, Wright, Leedy, Johnson, Pendergrass & Hoffman, which attorney

and firm are lead counsel for BRS in the litigation, is also an officer and director of BRS. James Campbell, Esq., and the law firm with which he is associated, Klarquist, Sparkman, Campbell, Leigh, Hall & Whinston, are co-counsel for BRS in the litigation and are experienced in substantive trademark law matters and related litigation.

BRS, through the discovery devices of interrogatories and depositions, sought certain information and documents from petitioner which the latter regarded as competitively-sensitive and thus trade secrets. Petitioner refused to produce the requested information and documents to BRS' attorneys pending the issuance of a protective order adequate to safeguard Petitioner's proprietary interests.

Petitioner and BRS are acknowledged direct competitors in an extremely high volume, competitive market relating to athletic shoes, where a few cents per shoe savings in pricing, marketing or manufacturing can constitute a significant market advantage. The items in question as to which discovery was sought by BRS are also acknowledged to constitute trade secrets, relating to pricing, marketing practices and sources of supply, and thus properly the subject of a protective order under Rule 26(c) of the Federal Rules of Civil Procedure. To this end the United States magistrate earlier in the discovery proceedings granted petitioner's motion for a protective order which in pertinent part provides:

> Mitsubishi International Corporation is required to disclose the documents called for by such Requests only to plaintiff's outside counsel, *who shall not directly or indirectly disclose such documents or the information contained in them to any other persons, such other persons including their client BRS, Inc.* and its in-house

> counsel, and that said outside counsel shall use such documents and information only in connection with and for the purposes of the preparation and presentation of this action, upon the conclusion of which all copies of the documents shall be filed with the Court under seal. (Emphasis added.)

Notwithstanding the terms of this protective order, the district court thereafter ordered petitioner to "disclose the requested documents to plaintiff's outside counsel, *including Mr. Houser*". Appendix Exhibit A. (emphasis added).

Simply put, it is petitioner's position that Douglas G. Houser, an officer and director of plaintiff BRS, and by extension the law firm of which he is a member, are one and the same as the party BRS, a corporation having no *animus* apart from its officers and directors, and that BRS ought not have access to petitioner's trade secrets just because Mr. Houser (and his law firm) has a second role as the attorney for BRS.

As a corporate officer and a director of plaintiff BRS, Mr. Houser is privy to and a participant in corporate meetings where marketing strategy is discussed and business decisions based thereon are made. As an officer and director he has a duty to promote the competitive position of his corporation. It is sheer folly to believe that Mr. Houser, in participating in such board deliberations and actions, is capable of blanking from memory (as the court has impliedly required him to do) information regarding petitioner's trade secrets.

Nor should petitioner be compelled to deliver up to its competitor confidential information going to the heart of its competitive position upon the assurance that the attorney receiving and examining such trade secret informa-

tion has promised to ignore it in his capacity as an officer and director of the competitor.

Petitioner has consistently offered to BRS and the district court the alternative of disclosure of its trade secrets to Mr. Houser's co-counsel, James Campbell, and to the law firm of which he is a member, who, unlike Mr. Houser, are not associated with BRS in any other fashion. Both BRS and the respondent have rejected this alternative.

REASONS FOR GRANTING OF THE WRIT

Petitioner respectfully submits that the Court of Appeals has sanctioned so great a departure from the accepted and usual course of judicial supervision of the ethical conduct of attorneys as to call for an exercise of this court's power of supervision.

Moreover, petitioner submits that the Court of Appeals has decided an important question of federal law which has not been, but should be, settled by this Court.

In *FTC v. U.S. Pipe & Foundry Co.*, 304 F Supp 1254 (D DC 1969), the Federal Trade Commission had accused one Koppers Company Incorporated of attempting to keep U.S. Pipe & Foundry out of the resorcinol market. The commission issued a subpoena duces tecum to U.S. Pipe & Foundry to produce documents which was resisted on the ground, among others, that it called for the production of sensitive commercial information and one of counsel for Koppers was also its corporate secretary.

The FTC petitioned the district court for an order requiring U.S. Pipe & Foundry to produce documents in accordance with the subpoena duces tecum. The court granted the request, stating in pertinent part:

> It is within the power of this Court to direct (1) that the original inspection of the documents produced be *in camera* and (2) that since Thomas C. Cochran, Jr., one of counsel of record, is also Secretary of Koppers, any protective order to be entered by petitioner's hearing examiner or by the petitioner shall provide that none of the documents produced in response to the subpoena shall be disclosed or made available to said Thomas C. Cochran, Jr. 304 F Supp at 1261.

There is an even more compelling reason in the instant case for a restrictive interpretation to be made of the protective Order since Mr. Houser is, in addition to being a corporate officer, a member of the board of directors of petitioner's competitor.

The issue raised herein will presumably arise more and more frequently in view of the increasing tendency for attorneys to assume active roles in the corporate affairs of their clients (see "Responsibilities and Liabilities of Lawyers and Accountants", 30 *The Business Lawyer* 41, 51 fn. 15. As attorneys take on management roles for their corporate clients, the potential for the kind of conflict present here is great and, when those clients become involved in litigation with competitors, it is almost inevitable that the same issue will arise.[1]

---

[1]There has been considerable discussion in recent years of the potential conflicts of interest confronting lawyers who serve on the boards of directors of their corporate clients. E.g. Gold, "Should Lawyers Serve as Directors of Corporations for Which They Act as Counsel," *Utah Law Review* 1978:811 and articles cited therein; Mundheim, "Should Code of Professional Responsibility Forbid Lawyers to serve on Boards of Corporations for Which They Act as Counsel," 33 *The Business Lawyer* 1507 (1978); *and see Westinghouse Electric Corp. v. Kerr-McGee Corp.*, 580 F2d 1311 (7th Cir 1978). None of these articles addresses the precise issue before the Court, however.

Once a court has recognized the need for insulating a corporate party from access to the trade secrets of its competitor, MIC submits that, *in every case,* such corporate party should be construed to include, at the very least, all of the officers, directors and major shareholders of such party regardless of whatever other functions such persons may fulfill.

In order to encourage parties to a civil action to comply fully with the liberal discovery provisions of the Federal Rules of Civil Procedure, it is necessary that, at the very least, such parties be guaranteed that compliance with the Rules will not imperil their competitive position vis-a-vis the other parties to action.

CONCLUSION

For the foregoing reasons, the petition for Writ of Certiorari should be granted.

Respectfully submitted,

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July, 1980

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify pursuant to the provision of paragraph 3(b) of Rule 33 of the Revised Rules of the Supreme Court of the United States that on July , 1980 I served the foregoing Petition for Writ of Certiorari upon all parties required to be served by deposition three printed copies thereof in a sealed envelope, with first class, air-mail postage prepaid, in the United States Post Office in Washington, D.C. addressed to each of such persons at the regular office address listed below:

United States Court of Appeals for the
Ninth Circuit
U.S. Court of Appeals & Post Office Building
7th & Mission Streets, P.O. Box 547
San Francisco, California 94101

United States District Court for the
District of Oregon
P.O. Box 1150
Portland, Oregon 97207

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Portland, Oregon 97204 and

Daniel P. Chernoff, Esq., of attorneys of
record for CITC Industries, Inc.
Chernoff & Wilhauer, P.C.
200 Wilcox Building
Sixth and S.W. Washington
Portland, Oregon 97204

_____

Howard S. Epstein
Attorney for Petitioner

EXHIBIT A

Filed July 31, 1979

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

BRS, INC., *Plaintiff,*	)	
v.	)	
MITSUBISHI INTERNATIONAL CORPORATION, *Defendant*	)	Civil No. 78-537 ORDER

This Court signed an order affirming the Magistrate on July 3, 1979. Part of the Magistrate's recommended disposition provided that certain requested documents be disclosed to one of plaintiff's outside counsel, Douglas Houser (F. & R., p.3, lines 19-20). Defendant Mitsubishi asks the Court to Court to specifically address its motion for interpretation of protective order.

On January 8, 1979, Judge Juba granted plaintiff's motion to compel, and defendant's motion for protective order (see docket entry No. 18). The protective order was signed by Judge Juba on January 22, 1979 (see docket entry no. 20). In pertinent part, it states:

> "Mitsubishi International Corporation is required to disclose the documents called for by such Requests only to plaintiff's outside counsel, who shall not directly or indirectly disclose such documents or the information contained in them to any other persons, such other persons in-

cluding their client BRS, Inc. and its in-house counsel."

One of plaintiff's outside counsel, Douglas Houser, is also a member of the board of directors and an officer of BRS, Inc. Defendant asserts that Mr. Houser is "client BRS, Inc." within the meaning of the protective order, and revealing documents to him would be tantamount to revealing them to BRS, Inc. This argument is without merit. There is no reason to believe that Mr. Houser will not comply with the terms of the order.

The protective order is clear. Defendant is ordered to comply, and disclose the requested documents to plaintiff's outside counsel, including Mr. Houser.

Dated July 30, 1979.

/s/ by Robert Burns
United States District Court

EXHIBIT B

Filed July 3, 1979

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

BRS, INC.,	)	
Plaintiff,	)	
	)	
v.	)	
	)	
MITSUBISHI INTERNATIONAL CORPORATION, et al,	)	Civil No. 78-537
Defendants.	)	ORDER

I have made a *de novo* review of those portions of the Magistrate's findings and recommendations to which objection has been made and considered the arguments of counsel.

I fully agree with the Magistrate's recommended disposition and affirm.

IT IS ORDERED that defendant CITC's motion to dismiss for lack of personal jurisdiction and improper venue is denied.

Dated: July 3, 1979.

/s/ Robert Burns
United States District Judge

EXHIBIT C

Filed March 10, 1980

UNITED STATES DISTRICT COURT
FOR THE NINTH CIRCUIT

MITSUBISHI INTERNATIONAL CORPORATION, *Petitioner,*	)	
vs.	)	
U.S. DISTRICT COURT FOR THE DISTRICT OF OREGON, and BRS, INC., *Real Party.*	)	D.C. #CV78-537 RCB OREGON ORDER

Before: ANDERSON and SKOPIL, Circuit Judges.

Upon due consideration, the petition for writ of mandamus is denied.

Mo Cal 3/3/80

EXHIBIT D

Filed April 14, 1980

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

MITSUBISHI INTERNATIONAL CORPORATION, *Petitioner,*	)	No. 79-7397
vs.	)	
U.S. DISTRICT COURT FOR THE DISTRICT OF OREGON, *Respondent,*	)	D.C. #CV78-537 *OREGON*
and	)	
BRS, INC., Real Party in Interest.	)	*ORDER*

Before: ANDERSON and SKOPIL, Circuit Judges.

Upon due consideration of petitioner's petition for rehearing, the court's order of March 10, 1980 is vacated and the petition for writ of mandamus is referred to the next regular motions panel.

Mo Cal 3/3/80

EXHIBIT E

Filed April 29, 1980

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

MITSUBISHI INTERNATIONAL CORPORATION, *Petitioner,*	)	No. 79-7397
vs.	)	
U.S. DISTRICT COURT FOR THE DISTRICT OF OREGON, *Respondent,*	)	D.C. #CV78-537 RCB OREGON
and	)	
BRS, INC., *Real Party.*	)	ORDER

Before: WALLACE and ANDERSON, Circuit Judges.

Upon due consideration, the petition for writ of mandamus is denied.

Mo Cal 4/15/80